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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 001440

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SUBJECT: INDO-PAK DIALOGUE: INDIA LOOKING TO MAINTAIN THE  
MOMENTUM WHILE THE DUST SETTLES

REF: NEW DELHI 1364

Classified By: Ambassador David C. Mulford for Reasons 1.4 (B,D)

11. (C) SUMMARY: The fifth round of the Indo-Pak Composite Dialogue took place in Islamabad May 20-21, marking the first high-level contact between the two governments since Pakistan's newly elected government came to power in March. Foreign Secretary Menon met his counterpart Salman Bashir May 20, and External Affairs Minister Pranab Mukherjee met Pakistani Foreign Minister Shah Mehmood Qureshi May 21 for talks that Indian analysts say were an effort on both sides to maintain the peace process, but which did not garner many substantive gains. Mukherjee did not lose the opportunity to have photo ops with all the Pakistan players, including President Musharraf, Prime Minister Gilani and Nawaz Sharif (Pakistan Muslim League-N), and the Indian press obliged with wide coverage, each newspaper choosing a different photo to splash on the front page. Recent incursions along the Line of Control (LoC) caused both sides to reaffirm their commitments to maintain the cease fire. Indians worry that these violations indicate an oscillation on Pakistan's part from friendship to antagonism. END SUMMARY.

No Major Agreements for Now, but Stage Set for Future Talks

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12. (U) Foreign Minister Pranab Mukherjee and Foreign Secretary Shivshankar Menon met their counterparts Foreign Minister Makhdoom Shah Mahmood Qureshi and Foreign Secretary Salman Bashir in Islamabad May 20-21 to conduct the fifth round of Composite Dialogue. According to the Ministry of External Affairs (MEA), the two sides reviewed the progress made in the Fourth Round of Composite Dialogue, covering peace and security, confidence building measures, Jammu and Kashmir, Siachen, Sir Creek, the Wullar Barrage/Tulbul Navigation Project, terrorism and drug trafficking, economic and commercial cooperation, and the promotion of friendly exchanges. On terrorism, both sides "reaffirmed their determination not to let terrorism impede the peace process and take all necessary steps to eliminate this scourge against humanity," resolving to carry the peace process forward and maintain its momentum, the MEA formally stated. Specifically, the two sides agreed to hold the next Joint Anti-Terrorism Mechanism meeting within two months, agreed to increase cross-border bus services between Muzaffarabad-Srinagar and Rawalkot-Poonch and signed an

agreement granting consular access to prisoners.

Economic Cooperation: If We Can Do It with China, Why Not with Pakistan?

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¶3. (U) On economic cooperation, both sides agreed to discuss further steps to facilitate trade and redress the trade balance, but made no concrete agreements during this round of dialogue. On the proposed Iran-Pakistan-India (IPI) natural gas pipeline, the MEA stated that the two sides had "reiterated their commitment to the IPI and had a useful exchange of views in this regard." Speaking to the press, Mukherjee used China as an example to address trade issues in Kashmir, stating, "India has an unresolved border dispute with China, but that doesn't mean a trade relationship hasn't taken place. We had set a target of bilateral trade worth U.S. \$40 billion by 2010 (with China), but we have already achieved it, and therefore had to revise the target to U.S. \$60 billion by 2010."

Keeping the Momentum Going and Making Lots of Friends

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¶4. (C) The peace process will not produce solid results as long as the Manmohan Singh government remains in power, according to policy analyst Wilson John of the Observer Research Foundation. In a May 22 meeting with Poloff, John assessed that there would be more talk on trade and transit

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issues, but no great results. He added that the two sides would agree to token confidence building measures, surmising that nothing substantial would take place for some time to come. Mukherjee and Menon went to Islamabad to continue the process, John indicated, noting that they expected to wait it out until Pakistan became more stable and the two sides could make more substantial progress. The Government of India was stepping up its interaction with Pakistan in a response to criticism by Musharraf that India had done little to advance the peace process, and that Pakistan had been more responsive. John noted that Mukherjee had taken care not just to meet Qureshi, but to be seen with all the players in Pakistan. (Note: Indian press carried front page photos of the Foreign Minister with Musharraf, Gilani and Sharif. End note.) "You cannot ignore Zardari, Nawaz Sharif, Gilani or Musharraf, because heaven knows who will come to power," John pointed out. On press statements indicating that PM Singh would visit Pakistan this year, John bluntly stated that he did not think the PM would go this year, as he would not know which Prime Minister to greet. "He won't take the risk," said John, noting that, though he thought PM Singh was eager to visit Islamabad during his tenure, it would be political suicide for the Congress party for him to visit given the current political climate.

Former Indian High Commissioner Dubs the Composite Dialogue a Success

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¶5. (C) Former Indian High Commissioner to Pakistan G. Parthasarthy said, "the fact that it took place" was reason enough to call the latest round of the composite dialogue a success. He gave credit to Foreign Minister Qureshi for positive public statements following the meetings, calling him the best Pakistani foreign minister he has seen since Khurshid Kasur. India will continue to pursue talks for as long as Pakistan is willing, he suggested, saying it was in India's interest to maintain stability in the relationship. He did worry, however, that the new Pakistani government may, simply for the reason of wanting to be different from the Musharraf regime, try to alter the positive direction that the talks have moved in over the past few years. He opined that, even though the composite dialogue talks were handled by Qureshi and the government, the military is still heavily

influential in government affairs, and would have a say in the direction of the composite dialogue for the time being.

#### Ceasefire Politics

16. (C) In the week leading up to the composite dialogue, three incidents took place involving firing across the LoC from the Pakistan side, prompting both sides to reaffirm the importance of the ceasefire, in place since November 2003, and to commit to cooperate to safeguard it. John noted that the peace process hinges on the ceasefire, warning that more violations would undo the peace process very quickly, especially during upcoming Indian elections. He opined that the ceasefire had been broken deliberately to send a signal that the Pakistan Army would decide on Kashmir, and that the buck would stop at Rawalpindi. The message being sent, he said, was "You can talk to Gilani all you want - the Army will handle the issues."

#### Pakistan Turns Up the Heat

17. Comment: Composite Dialogue formalities aside, three LoC firing incidents in one week suggests a possible policy shift in Pakistan to turn up the heat on India. If the stability of the last few years along the LoC and into Kashmir is to be maintained, the U.S. should play a quiet but clear, encouraging role. We will continue to urge restraint on the part of the Indians in response to border incidents and terror attacks, but by the same token, we should be making it clear to Pakistani authorities, including the military, that condoning unrest along the border, whether implicitly or

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explicitly, is in no one's interest at this time. As it prepares for its own election season, the UPA government will be inclined to take a hard line against militancy in Kashmir in response to criticism from the opposition Bharatiya Janata Party (BJP) that it has been too soft on terrorism. With India raising eyebrows at the recent up-tick in incursions, the Indo-Pak sine wave of relations, which has been slowly oscillating between friendship and antagonism, could turn to miscalculation and serious Indo-Pak problems. End comment.  
MULFORD